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CIS

VIEWS

OF THE

Committee on Appropriations

United States Senate

ON THE

CONCURRENT RESOLUTION ON THE BUDGET

FISCAL YEAR 1987

February 1986

S182-1

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INTRODUCTION

This report sets forth the views and estimates of the Committee on Appropriations on the fiscal year 1987 budget, and is submitted in accordance with section 301(d) of the Congressional Budget Act of 1974, as amended.

The President's fiscal year 1987 budget totals $1,102,000,000,000 in budget authority and $994,000,000,000 in outlays. Of these amounts, total budget authority within this Committee's jurisdiction is $566,900,000,000 in budget authority and $561,600,000,000 in outlays, based on the President's budget estimate. CBO baseline levels for fiscal year 1987—which are based on the continuation of current spending actions—are $576,600,000,000 in budget authority and $576,500,000,000 in outlays for programs and activities under the jurisdiction of this Committee.

Fiscal year 1987 spending recommendations contained in this report are at best preliminary. The President's budget request was transmitted to the Congress only 21 days ago and the subcommittees have just begun hearings to evaluate administration proposals under their jurisdictions. In addition, the President has transmitted to the Congress 77 new rescission proposals totaling $9,900,000,000 in budget authority and a total of $22,800,000,000 in deferrals (27 new deferrals of budget authority totaling $15,200,000,000 and 15 revised deferrals of budget authority totaling $7,700,000,000). Subcommittees have only begun to assess these fiscal year 1986 proposals, along with impact of the fiscal year 1986 sequester which becomes effective on March 1, 1986, under the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). A detailed account-level analysis must occur before this Committee can reach final recommendations on fiscal year 1987 funding levels.

For these reasons, the Committee presents "low-range" and "high-range" estimates of spending required in fiscal year 1987 for the 13 appropriation bills under the Committee's jurisdiction. The Committee emphasizes that these estimates are given only to provide preliminary guidance to the Budget Committee in its work on a fiscal year 1987 budget resolution.

The Committee notes that the President's budget request, in many cases, is predicated on actions outside the control of the appropriations process, including changes in substantive law and administrative actions.

The Committee recommends $589,500,000,000 in budget authority for programs and activities within this Committee's jurisdiction in fiscal year 1987. This is the Committee's "low-range" estimate.

The Committee recommends $610,200,000,000 in budget authority as its "high-range" spending estimate. This, of course, does not include unforeseen contingencies and requirements that may arise during the forthcoming fiscal year.

The Committee feels that the range encompassed by these two levels represents a realistic estimate of the Committee's spending requirements at this time. Confronted with the need to substantially reduce the Federal deficit, the Committee reiterates its continued commitment to achieving the greatest level of budget savings possible.

The Committee notes that it has not provided outlay estimates in this report. This is not possible given that CBO's reestimate of the President's budget becomes available in the final week of February.

The following table shows the Committee's recommendations by subcommittee:

FISCAL YEAR 1987

[In billions of dollars]

Subcommittee	CBO baseline		President's request		Low estimate		High estimate	
	Budget authority	Outlays	Budget authority	Outlays [1]	Budget authority	Outlays [2]	Budget authority	Outlays [2]
Agriculture [3]	30.9	25.7	29.4	23.6	32.2	....	33.6	....
Commerce–Justice–State–Judiciary	12.4	12.9	15.9	15.4	12.6	....	16.7	....
Defense	285.6	269.3	302.3	288.1	299.0	....	302.3	....
District of Columbia	0.6	0.6	0.6	0.6	0.6	....	0.7	....
Energy and Water Development	15.2	15.3	15.9	15.8	15.2	....	16.5	....
Foreign Assistance	15.5	11.9	15.5	14.8	15.0	....	15.5	....
HUD–Independent Agencies	61.1	63.4	43.2	57.0	56.5	....	62.6	....
Interior	8.1	8.9	6.4	7.7	8.0	....	8.4	....
Labor, Health and Human Services, and Education	112.7	118.5	105.1	114.3	113.7	....	115.4	....
Legislative	1.6	1.6	1.8	1.8	1.8	....	1.8	....
Military Construction	8.4	7.9	10.1	7.1	9.0	....	10.1	....
Transportation	10.5	26.3	7.0	25.2	10.8	....	11.0	....
Treasury, Postal Service, General Government	13.0	13.1	12.9	12.8	14.3	....	14.6	....
Not assigned to subcommittee	1.0	1.1	[4] 0.8	0.8	[4] 0.8	....	[4] 1.0	....
Grand total, appropriations	576.6	576.5	566.9	561.6	589.5	....	610.2	....

[1] OMB estimates of outlays from new BA and prior-year enacted.
[2] CBO estimates of the President's budget are not available.
[3] Excludes Commodity Credit Corporation.
[4] Includes additional pay supplemental requirements for non-DOD personnel if 3 percent cost-of-living adjustment is not eliminated.

CBO baseline.—The Farmers Home Administration's Agricultural Credit Insurance Fund (function 350) is reimbursed based on actual losses from 2 years prior. Losses to this fund in fiscal year 1985 amounted to $2,440,203,000. However, the CBO baseline includes only $1,932,000,000. Therefore, in order to fully fund this reimbursement, an additional $508,203,000 would be required in addition to the baseline.

International affairs (150).—The President's budget proposes a $79,000,000 reduction in budget authority for the Public Law 480 Program. If the Committee does not concur, a corresponding increase to the President's budget would be required.

Energy (function 270).—The reimbursement account for losses of the Rural Electrification and Telephone Revolving Fund is scheduled for deletion under the President's budget. The 1986 appropriation was $100,000,000. The President has also requested a rescission of that $100,000,000.

Natural resources and environment (function 300).—The budget proposes elimination of all existing financial assistance and cost-share programs in the Soil Conservation Service [SCS] and the Agricultural Stabilization and Conservation Service [ASCS]. The President has also requested fiscal year 1986 rescissions in the amount of $222,217,000 in the conservation programs of the SCS and ASCS. If the Committee does not agree with the reductions and desires to restore the conservation programs to the 1986 appropriated levels, an additional $400,000,000 will be required for fiscal year 1987.

Agriculture (function 350).—For research and extension programs, the President's budget proposes a $190,000,000 reduction from the post-sequester fiscal year 1986 levels, including elimination of several research and extension programs. If the Committee does not concur, and if the Committee chooses to restore the accounts to the presequester 1986 levels, a total of $218,000,000 over the President's budget will be required for fiscal year 1987.

For marketing and inspection programs, the President's budget proposes a $50,000,000 reduction in major pest and disease control programs, and an additional $68,000,000 would be reduced under proposed legislation. If the account is restored to presequester levels, an additional $14,000,000 would be necessary. Therefore, if the Committee restores the cuts in appropriations and if legislative action is not taken, an additional $132,000,000 would be required.

For the Federal Crop Insurance Corporation, the 1987 budget under proposed legislation includes $125,000,000 for administrative and

operating expenses and $103,000,000 for premium subsidy. Under existing legislation, $240,000,000 and $124,000,000, respectively, would be needed for continuing the program.

The Temporary Emergency Food Assistance Program [TEFAP] is eliminated in the President's budget. If the Committee does not concur, an additional $50,000,000 will be needed.

Although the funding for conservation programs is included under another budget function, the "Salaries and expenses" account of the Agricultural Stabilization and Conservation Service [ASCS] is included in this function. If the conservation cost-sharing programs of ASCS are restored, an additional $53,000,000 would be needed in function 350.

The Commodity Credit Corporation supplemental request would add approximately $7,300,000,000 in budget authority to the fiscal year 1986 baseline.

The Agricultural Stabilization and Conservation Service salaries and expenses supplemental request would increase that account by $72,000,000.

Community and regional development (function 450).—The Water and Waste Disposal Grant Program is proposed for elimination under the President's budget. Restoration of this program would require an additional $115,000,000.

Also proposed for elimination is the purchase of capital stock of the rural telephone bank ($30,000,000).

Health (function 550).—The budget for the Food and Drug Administration included $26,000,000 to be derived from user fees. There is some dispute as to whether implementation of these fees would require specific authorizing legislation. If user fees are not approved, this amount would be required to be added to the budget request of $423,600,000.

Income security (function 600).—For Food Stamps and Child Nutrition Programs, the President's budget proposes substantial legislative changes. If such legislation is not enacted, an additional $1,088,000,000 will be necessary to fund these mandatory programs. (The proposed legislation would also supposedly save $69,000,000 in fiscal year 1986.)

The President's budget proposes elimination of Farmers Home Administration housing programs, including, for instance, housing repair grants for the elderly. Restoration of these programs to the presequester 1986 level would require an additional $51,000,000. Rural rental assistance payments are also proposed to be eliminated. Restoration of this program would require $175,000,000.

The President has also requested a 1986 rescission of $5,183,000 for the Elderly Feeding Program. This would result in a reduction of the reimbursement rate from approximately 63 cents to 52 cents per meal.

CBO baseline.—The subcommittee intends to further explore the CBO baseline for the Agricultural Credit Insurance Fund of the Farmers Home Administration. Some discrepancies have arisen in the fiscal year 1986 and 1987 numbers.

International affairs (function 150).—Public Law 480 titles I/III concessional sales are proposed to be reduced by $120,000,000 from the presequester 1986 levels. If the Committee chooses to maintain this program at traditional levels, a corresponding increase to the President's budget would be required.

Energy (function 270).—The loan programs of the Rural Electrification and Telephone Revolving Fund are proposed to be phased out by 1990. Legislation is being proposed to increase the interest rate on loans from 5 percent to the cost of Treasury borrowings plus 1/8 percent, and to restrict available assistance to financially weak borrowers. Further, the supplemental financing requirements will be increased, and a 5-percent fee on direct loans is proposed to be charged. If these legislative proposals are not enacted, loan demand is not likely to be reduced to the levels in the President's budget. Restoration to the presequester 1986 levels would require an additional $465,000,000 in direct lending authority.

Federal Financing Bank direct loans which are guaranteed by REA would also be affected by some of the legislative proposals. Restoration of these programs would require an additional $708,000,000 in loan authority.

Agriculture (function 350).—Agricultural Credit Insurance Fund levels were included in both the continuing resolution and the Food Security Act of 1985, the farm bill. At this time, the levels in the farm bill are being followed, and it appears that these amounts will be inadequate. The appropriated levels for 1986 were $3,968,000,000 for insured loans (including an estimate of $800,000,000 for emergency loans) and $1,956,000,000 for guaranteed loans. There is a legislative proposal to eliminate farm ownership and emergency disaster loans.

Commerce and housing credit (function 370).—The President's budget proposes elimination of the rural housing programs of the Farmers Home Administration, which have already been reduced by over 37 percent from the fiscal year 1985 levels. If the Committee chooses not to eliminate these programs, an additional $2,128,000,000 would be required.

In addition, the Administration has proposed a rescission of $700,000,000 in the form of a supplemental budget request for fiscal year 1986.

Community and regional development (function 450).—The budget request would eliminate the Water and Waste Disposal direct loan program as well as the Community Facility direct loan program of the Farmers Home Administration. If the Committee does not concur, an additional $440,000,000 will be required. Also proposed for elimination is the Industrial Development guaranteed loan program. Restoration would require $100,000,000.

The limitation on direct loans of the Rural Telephone Bank is proposed to be reduced by $46,000,000 from the 1986 appropriated amount. Restoration would require a corresponding increase to the President's budget.

The Rural Development Loan Fund has been transferred from the Department of Health and Human Services. A rescission of its unobligated balance of $14,000,000 has been proposed. No funding is proposed in the President's budget for fiscal year 1987.

AGRICULTURE—FISCAL YEAR 1987[1]

	Budget authority	Outlays
CBO estimate	$30,933,000,000	$25,674,000,000
President's estimate	[2]29,400,000,000	[2]24,100,000,000
Low appropriation estimate	32,200,000,000	26,900,000,000
High appropriation estimate	33,600,000,000	28,600,000,000

[1] Excludes Commodity Credit Corporation.
[2] Does not exclude $603,000,000 in budget authority and $605,000,000 in outlay savings from proposed legislation.

COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES[1]

The fiscal year 1987 budget estimates for this subcommittee total $15,954,337,000 in new budget authority, compared to an enacted level in fiscal year 1986 of $11,962,558,747 and a sequestration level of $11,458,760,747. If the President's estimates were accepted and proposed program reductions and eliminations were restored in 1987, $16,700,000,000 in new budget authority would be required. However, this assumes the acceptance of the proposal to purchase $2,315,000,000 in Small Business Administration debentures held by the Federal Financing Bank. If this proposal is not accepted, the adjusted program level for current services with the President's requests would require approximately $14,400,000,000 in new budget authority.

CBO BASELINE

The baseline estimate of the Congressional Budget Office for the appropriation accounts under the jurisdiction of this subcommittee totals $12,356,790,000 in budget authority and $12,860,018,000 in outlays. Apparent discrepancies in the baseline assumptions include:

Department of Commerce, economic development assistance programs.—The budget authority baseline for 1986 is $17,000,000 below the actual sequestration level, and the 1987 baseline is $55,000,000 below the 1986 level adjusted for inflation.

Department of Commerce, National Oceanic and Atmospheric Administration.—The 1987 baseline does not appear to include $100,000,000 for continuation of the Landsat subsidy. (The President proposes to terminate this subsidy in 1987.)

[1] In general, numbers are rounded to the nearest million in discussions of baseline adjustments and budget estimates.

Department of Justice, assets forfeiture fund.—The budget authority and outlay baselines do not take into account projections of the uncontrollable funding level which will be required to manage seized assets. An additional $5,000,000 would be required for this account.

Department of Justice, Bureau of Prisons, salaries and expenses.—CBO's baseline budget authority and outlay estimates do not include the $10,000,000 supplemental appropriation which will be required to support an average daily prison population of 36,569 in fiscal year 1986. Actual inmate population figures are much higher than originally projected. Prison population increases are not subject to the control of the Committee.

Department of Justice, Bureau of Prisons, buildings and facilities.—An adjustment of $30,700,000 should be made in CBO's baseline budget authority projection for this account. The baseline estimate assumes acceptance of a pending deferral.

The judiciary.—The baseline for all the judiciary accounts does not reflect the use of $25,000,000 in carryover balances to fund the various programs of the judiciary in fiscal year 1986.

Maritime Administration, operations and training.—CBO's baseline for this account assumes approval of the administration's proposed deferral of $8,500,000 in fiscal year 1986. An identical deferral proposal was rejected by Congress in fiscal year 1985.

U.S. Information Agency, salaries and expenses.—The CBO baseline appears to be understated by $13,000,000.

FISCAL YEAR 1987 SPENDING ESTIMATES

The President's request includes a number of programmatic reductions proposed in the past, including the following:

−$255,000,000 in National Oceanic and Atmospheric Administration programs;

−$24,000,000 for the Public Telecommunications Facilities Program;

−$200,000,000 for the Economic Development Administration;

−$154,000,000 for State and local grants through the Department of Justice;

−$305,500,000 for the Legal Services Corporation (the Corporation submits its budget to the Congress independent of review by the Office of Management and Budget); and

−$8,000,000 for the State Justice Institute (the State Justice Institute submits its budget directly to the Congress).

Major programmatic enhancements proposed by the administration include:

+$90,000,000 for the Census Bureau to prepare for the decennial census;

+$121,600,000 for Justice legal activities including the Civil, Criminal, Tax, and Land Divisions; U.S. attorneys; U.S. Marshals; and U.S. bankruptcy trustees;

+$121,400,000 for the Federal Bureau of Investigation;

+$47,600,000 for the Drug Enforcement Administration;

+$41,100,000 for the Immigration and Naturalization Service;

+$179,900,000 for the Bureau of Prisons, including funds for three new medium security facilities in the Northeast, Northwest, and Southeast;

+$1,400,000,000 for the diplomatic security initiative of the Department of State;

+$198,000,000 for the judiciary, which is directly related to the increase in Federal judgeships and bankruptcy judges approved by the Congress in 1984;

+$69,000,000 to continue the Radio Facilities Modernization Program of the Board for International Broadcasting (Radio Free Europe/Radio Liberty); and

+$2,315,000,000 for the Small Business Administration to purchase and liquidate debentures held by the Federal Financing Bank.

The administration is also proposing $751,500,000 in supplementals for fiscal year 1986, including $702,000,000 for the State Department diplomatic security initiative. In addition, $351,400,000 in rescission requests are pending.

For fiscal year 1987, the Congressional Budget Office baseline, as adjusted by the Committee, totals $12,603,990,000 for the Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies. As noted earlier, the sum of the President's requests and the restoration of programs proposed for reduction or elimination totals approximately $16,700,000,000. Therefore, it is the Committee's view that budget authority will range from $12,600,000,000 to $16,700,000,000 in fiscal year 1987. At this point, it is difficult to judge the outlay range due to the unavailability of estimates from the Congressional Budget Office. If the baseline level is assumed, offsets will be required to fund essentially mandatory increases in the Justice Department and the judiciary. In addition, the Congress will be unable to fund the diplomatic security initiative of the Department of State or other enhancements requested by the administration.

FISCAL YEAR 1987 CREDIT ESTIMATES

Department of Commerce, Economic Development Administration.—The President is proposing the elimination of authority to guarantee loans. In 1986 the Congress provided authority for up to $150,000,000 of contingent liability for loan principal.

Department of Commerce, International Trade Administration.—The President is proposing the elimination of direct and guaranteed loans made under the authority of the Trade Adjustment Assistance Program. During 1986 the Congress provided $8,100,000 in direct loan authority and $6,000,000 in guaranteed loan authority. However, the statutory authority for trade adjustment assistance expired in December 1985 and the Commerce Deprtment is seeking a rescission of these funds.

Department of Commerce, Federal ship financing, fishing vessels.—The President is proposing appropriations bill language to prohibit commitments to guarantee loans. Commerce has statutory authority to assume $850,000,000 in contingent liability for guaranteed loans. At the end of fiscal year 1985, U.S. contingent liability outstanding was $163,000,000.

Maritime Administration, Federal ship financing fund.—The President is proposing appropriations bill language to prohibit commitments to guarantee loans. The Maritime Administration has statutory authority to assume $9,500,000,000 in contingent liability for guaranteed loans. At the end of fiscal year 1985, U.S. contingent liability outstanding was $6,444,000,000.

Small Business Administration.—The President is proposing the elimination of all direct and guaranteed loan programs of the Small Business Administration. In fiscal year 1986, the Committee approved appropriations for the Small Business Administration consistent with S. 408 as passed by the Senate and incorporated into the 1986 budget resolution. (The CBO baseline estimates for the subcommittee do not reflect budget authority and outlays associated with the Small Business Investment Co., and section 503 loan programs. These programs are financed through direct disbursements by the Federal Financing Bank [FFB] and were brought on-budget by Public Law 99–177. If these programs are to be crosswalked to the Appropriations Committee, adjustments must be made in the baseline and in the range of budget authority estimates discussed earlier.)

DEFENSE

The President's request for programs covered by the Defense appropriations bill for fiscal year 1987 budget authority totals $299,032,138,000 and a contingency factor of $3,300,000,000 for the Governmentwide pay raise request to be submitted at a later date. New outlays of $169,314,394,000 are projected by OMB with total estimated outlays to be $264,769,925,000.

Traditionally, the CBO baselines for defense spending have reflected the budget authority agreed upon in the previous year's budget resolution. The fiscal year 1986 resolution provided for the so-called 0–3–3 agreement which stipulated 3-percent real growth in fiscal years 1987 and 1988 following zero real growth in fiscal year 1986. Departing from this tradition, the CBO baseline in fiscal year 1987 is $13,400,000,000 below the level previously agreed to and allows zero real growth from the sequestered 1986 appropriation level.

As such, the Committee recommends a low estimate of $299,032,138,000 and a high estimate of $302,332,138,000 for budget authority for the Defense appropriations bill. The low estimate does not cover the estimated cost of the pay raise for military and civilian personnel. It will be necessary for the Committee to seek the requisite savings to fund the proposed pay raise within the allocation. Real growth in budget authority is approximately 8 percent from the sequestered 1986 appropriation. The Committee believes this level is essential to offset

sharply reduced 1986 funding that was 6 percent below the congressional goal. It is also needed to meet national security goals in light of the substantial reductions in the President's defense requests of the past several years.

There is a significant disagreement between CBO and OMB regarding the estimated outlay effect of the President's budget request for defense. CBO believes the OMB outlay estimate of $264,769,925,000 is understated by $13,500,702,000. The OMB estimate is not based on historical spending patterns, but rather on an expectation that defense outlays will be lower because of improved management and the substantial reductions from fiscal year 1986 sequestration. The Committee will be reviewing this matter in its hearings over the next few months to ascertain the validity of the OMB estimate. At this time, the Committee recommends $278,270,627,000, the CBO estimate for outlays, to reflect estimated outlays based on historical averages. If evidence materializes to validate the cost efficiency of proposed management action, the Committee may seek a revision of the outlay projection.

District of Columbia

CBO BASELINE

The CBO baseline of $564,894,000 in budget authority and outlays represents current services based on prior year appropriations. It does not take into consideration a $20,000,000 advance appropriation in fiscal year 1987 budget authority for construction of a new prison in the District of Columbia.

The CBO baseline does not include an increase of $19,500,000 included in the President's request for the Federal payment to the District.

The format of the baseline presentation makes analysis difficult since it does not conform to that used by the GAO in its report to the President and the Congress of January 21, 1986, specifying budget reductions for fiscal year 1986 (GAO/OCG-86-1).

FISCAL YEAR 1987 SPENDING ESTIMATES

The President's budget estimates include requests totaling $560,380,000. These amounts appear to be adequate for the purposes for which they were requested.

Not included in this amount is a $20,000,000 advance appropriation for construction of a prison in the District of Columbia during fiscal year 1987.

The President's estimate does not include $24,000,000 in programs included in the CBO baseline for which funds have been included in final appropriations in prior years. The request does include a $19,500,000 increase in the Federal payment that is not included in the CBO baseline as noted earlier.

Neither the President's estimates nor the CBO baseline included expected fiscal year 1986 supplemental requests from the District government totaling $18,500,000. If $15,100,000 of this amount for water and sewer services to the Federal Government is not provided during 1986, the Committee expects to receive a 1987 budget amendment for this amount.

Energy and Water Development

CBO BASELINE

Corps of Engineers.—The CBO baseline estimate of $2,789,900,000 is $280,000,000 below the President's budget request for 1987 and only about $90,000,000 over the 1986 adjusted appropriation. This level of funding would not allow for the continuation of the new construction projects approved in Public Law 99-88, and would provide a $100,000,000 shortfall in the normal operation and maintenance work at Corps of Engineers' facilities, thereby affecting port and channel dredging, and lock and dam maintenance and rehabilitation.

In addition, the President's budget proposes 19 additional new construction projects, and it is anticipated that enactment of a major water resources authorization bill will increase spending to some extent. No additional studies or projects could be accommodated at the baseline level without a major impact on ongoing activities.

Bureau of Reclamation.—For the Bureau of Reclamation, CBO's baseline estimate provides $775,500,000, which is $76,000,000 below the amount requested in the President's 1987 budget. At the CBO level of funding, the reduction of $50,000,000 would cause construction schedules to be stretched out and few if any new contracts would be awarded on ongoing projects. Similarly, the CBO level of $130,000,000 for operation and maintenance is only a 2.8-percent increase and could adversely impact replacement and extraordinary maintenance items on ongoing projects.

Department of Energy.—Under the CBO baseline estimate, funding for Department of Energy activities would total $11,017,000,000 for fiscal year 1987 as compared to $10,425,000,000 for 1986 and $11,483,000,000 proposed in the budget request. The baseline reflects a proposed increase in funding for nondefense activities and a substantial reduction in atomic energy defense activities. The baseline, a 2-percent increase over current levels, provides $7,383,000,000 for energy defense activities. This level is about $850,000,000 below the President's budget request, which calls for a 14-percent increase over current fiscal year 1986 levels.

For nondefense energy activities within the Department of Energy, the CBO baseline includes $3,634,000,000 from the energy supply and general science functions, as compared to $3,253,000,000 in the budget request. Nevertheless, there is a need for additional budget authority to carryout the activities proposed in the President's request. If Congress supports the general science research request, an additional $90,000,000

is required. Another $70,000,000 over the CBO baseline would be needed to support the budget request for the Nuclear Waste Disposal Program. Depending on the availability of a transfer of funds from the "Uranium enrichment" account, additional budget authority may be needed for the $1,900,000,000 program level requested in the President's budget for energy supply, research and development.

Independent agencies.—The CBO baseline estimate for independent agencies, namely the Appalachian Regional Commission, the Tennessee Valley Authority, and the Nuclear Regulatory Commission is sufficient to continue these activities into fiscal 1987. The level of $641,100,000 provided by the CBO baseline is $177,300,000 above the President's 1987 budget request.

FISCAL YEAR 1987 SPENDING ESTIMATES

Corps of Engineers.—Funding for water resource development activities of the U.S. Army Corps of Engineers is $3,070,000,000, an increase of 14 percent over the Gramm-Rudman adjusted levels for fiscal 1986. The increases come in two main areas—construction, and operation and maintenance work. The request for construction activities is $200,000,000 over the 1986 level as a result of the decision made in the 1985 supplemental bill to go forward with construction on 41 new water projects. The completion of several new projects and the continued aging of older projects will require $150,000,000 more in 1987 than was provided in 1986 for operation and maintenance activities.

Bureau of Reclamation.—The fiscal year 1987 request for the Bureau of Reclamation totals $851,200,000, $107,000,000 more than the 1986 adjusted level of appropriations. The increase is primarily for continuation of ongoing construction projects ($78,000,000) and increased operational and maintenance activities associated with completed projects ($23,000,000).

Department of Energy.—The fiscal year 1987 budget request for the Department of Energy proposes a substantial increase over the 1986 levels from $10,425,000,000 to $11,483,000,000. Most of the increase in energy activities is due to the additional $998,000,000, a 14-percent increase, which is proposed for atomic energy defense activities. Within the energy defense area, there are substantial increases for research, development, and testing of nuclear warhead concepts including the nuclear portion of the strategic defense initiative, as well as large increases in nuclear weapons materials production and defense waste management activities. In addition, there may be a fiscal year 1986 supplemental request for atomic energy defense activities which could increase budget outlays in both fiscal year 1986 and fiscal year 1987.

For nondefense energy activities, the total budget request of $3,250,000,000 is approximately the same as the fiscal year 1986 appropriation of $3,193,000,000. There are substantial differences from last year, however, within this total amount. Increases are proposed for general science research (+$117,000,000) and the nuclear waste disposal

fund (+$270,000,000). In contrast, the request for energy supply, research and development is $1,254,162,000 in new budget authority or a reduction of $442,000,000 from 1986 levels. The proposed program level for this account, however, is $1,900,000,000 with some $620,000,000 of activities funded through fiscal year 1986 deferrals and a transfer from the "Uranium enrichment" account. If the Congress continues support for solar and renewables, nuclear fission, magnetic fusion, basic energy research and development and other activities in this account, there will be a need for an additional amount of budget authority. Depending on the amount available for transfer from the "Uranium enrichment" account, the new budget authority requirement would be up to $620,000,000.

The fiscal year 1987 budget assumes deferral of $710,000,000 of the fiscal year 1986 energy and water development appropriations to the Department of Energy; $65,000,000 of this deferral is for congressional increases for solar and renewable programs and the university research facilities; $584,000,000 in reductions to the uranium enrichment centrifuge and gaseous diffusion programs; and $59,000,000 in funds for the power marketing administrations which the administration considers unnecessary to reach the fiscal year 1986 objectives.

The budget assumes the sale of the Power Marketing Administrations. The budget is predicated on the sale requiring substantive legislation and revenues are reflected beginning in fiscal year 1988. The budget also assumes the passage of legislation requiring a revision in the Power Marketing Administration ratemaking process. If enacted, this would represent an increase in revenues of $170,000,000 in fiscal year 1987. The revenues are not used by the agency to offset expenses, therefore, there would not be a change in the requested appropriation.

Independent agencies.—As in previous years, the President proposes to terminate the Appalachian Regional Commission, including the Highway Development Program; and has proposed major (50 percent) reductions in the funding for the Tennessee Valley Authority. In light of past congressional action, it appears that up to $130,000,000 of additional budget authority could be needed for these programs in 1987.

[In billions of dollars]

CBO baseline	15.2
	(15.3)
President's budget	15.9
	(15.8)
Low appropriation estimate	15.2
High appropriation estimate	16.5

FOREIGN OPERATIONS

INTRODUCTION

Programs funded by the Foreign Operations Subcommittee encompass the bulk of U.S. foreign assistance programs, multilateral and bilateral, economic and military. Included in these programs are such widely divergent activities as the Peace Corps, the World Bank, military assistance to countries with which we have base rights and access agreements, and international narcotics control programs.

FISCAL YEAR 1987 REQUEST

The administration's fiscal year 1987 request for programs under the jurisdiction of the Foreign Operations Subcommittee nearly equal what the administration requested for fiscal year 1986, excluding requested new programs. The fiscal year 1987 request totals $15,474,534,125, as opposed to a request level in fiscal year 1986 of $15,032,241,934. The administration's fiscal year 1987 budget contains requests for new programs totaling $344,403,116. The fiscal year 1987 request is $449,214,180 over that which was appropriated in fiscal year 1986.

The President's budget for fiscal year 1987, while in total very close to that which was requested and appropriated in fiscal year 1986, differs substantially in its details. The administration is requesting no funding for the Direct Loan Program of the Export-Import Bank, which totaled just under $1,100,000,000 in fiscal year 1986. Military and economic programs for close friends and for countries with which we have security agreements, on the other hand, are being increased from levels provided by Congress in fiscal year 1986. These increases, however, are very close to fiscal year 1986 request levels. If Congress were to provide the administration with its requested funding for programs under the Foreign Operations Subcommittee and also provide for the Direct Loan Program of the Export-Import Bank, an additional $1,100,000,000 on top of the request would be required. Such an addition for foreign assistance programs this year is most unlikely. Therefore, any appropriation for the Direct Loan Program for the Export-Import Bank or any increase for any other program not requested by the administration would have to be offset by reductions from the requested programs.

In the event that the Congress is forced to drastically reduce foreign assistance, the Committee believes that bilateral assistance, which, of course, is a major foreign policy tool of the United States, ought to be preserved at effective levels.

While under normal circumstances the Committee would suggest in this report a range of options for the Budget Committee including an add-on of $1,100,000,000 for the Export-Import Bank, together with a lower amount pegged at last year's appropriated level, with this year's budget situation, such a recommendation would appear to be unrealistic.

Therefore, the Committee's range of options runs from the fiscal year 1986 appropriated level of $15,025,319,945 and the total fiscal year 1987

request level of $15,474,534,125. The Committee underscores the fact that under either level, given the fact that Congress will want to continue support of the Export-Import Bank, important requested foreign assistance programs will have to be substantially reduced. The Committee notes that both options are below CBO's baseline for fiscal year 1987.

Department of Housing and Urban Development–Independent Agencies

OVERALL

The administration's request includes a total of $43,200,000,000 in new budget authority for subcommittee programs in fiscal year 1987. This is $16,200,000,000 less than the enacted appropriations for fiscal year 1986, a 28-percent reduction. For the balance of fiscal year 1986, Gramm-Rudman reductions total $1,400,000,000. In addition, the administration is proposing $5,700,000,000 in rescissions, $2,900,000,000 in deferrals, and supplementals which add $613,000,000 and have also the effect of an offsetting reduction of $504,000,000.

Department of Housing and Urban Development.—No new budget authority is requested for the HUD Assisted Housing Program for fiscal year 1987.

In fiscal year 1986 an appropriation of $10,000,000,000 was provided, but the administration has proposed rescinding $4,400,000,000 of this amount and deferring another $2,300,000,000 into fiscal year 1987 to provide a level program of 50,000 housing vouchers in both years. It should be noted because of peculiarities in the congressional earmarks in this account, failure to take any legislative action on the rescissions or deferrals may result in severe programmatic disruptions during the balance of fiscal year 1986.

Termination of the Urban Development Action Grant [UDAG] Program is proposed in fiscal year 1986 with a $220,000,000 rescission. A total of $330,000,000 was appropriated for this program, a reduction of 25 percent from the fiscal year 1985 level.

For the Community Development Block Grant [CDBG] Program $2,100,000,000 is requested for fiscal year 1986. The Congress enacted a 10-percent cut in this program for fiscal year 1986, providing $3,100,000,000. Of this amount, the President proposes to defer $500,000,000 into fiscal year 1987 to provide level budgetary totals for both years.

The loan guarantee limitation of the Federal Housing Administration and the secondary market functions of the Government National Mortgage Association appear significantly inadequate for the balance of this fiscal year. Adjustments will also have to be made in fiscal year 1987.

Environmental Protection Agency.—Operating programs of the Environmental Protection Agency are essentially kept intact with a budget request of $1,400,000,000. While this represents a reduction of over

$113,000,000 from the enacted fiscal year 1986 level, the bulk of the reduction is taken by elimination of the Asbestos-in-Schools Program (−$50,000,000) continuing constraints on research and development (−$21,000,000) and a proposed new environmental block grant to replace categorical aid to States and local units of government for enforcement (−$8,000,000).

Outside of the operating budget, the administration has proposed a 25-percent reduction in wastewater treatment construction grants (−$600,000,000) as part of a continuing attempt for a 4-year phaseout, and an increase of $189,000,000 for Superfund. Both of these programs, however, are confronting significant disruptions unless Congress expeditiously provides additional supplemental authority within the next few months. Both amounts contained in the President's budget request are significant reductions from levels assumed in authorizing legislation previously passed by the Senate.

Federal Emergency Management Agency.—The appropriation request for the Federal Emergency Management Agency [FEMA] includes a supplemental request of $250,000,000 for disaster relief. This amount will have to be provided during this spring to avoid disruption in assistance to areas already declared disaster areas and may grow with spring flooding problems.

Significant shifts are proposed in the President's fiscal year 1987 request including elimination of the U.S. Fire Administration (−$10,000,000), reductions in civil defense (−$5,400,000), elimination of student stipends for emergency training (−$3,700,000), and requirement of State and local cost sharing of disaster relief costs (−$300,000,000). The administration has again proposed the termination of the Emergency Food and Shelter Program which was initiated in the 1982 jobs bill (−$70,000,000). Total FEMA funding is requested to decline by 8 percent in fiscal year 1987 to $469,000,000, excluding the supplemental for disaster relief.

National Aeronautics and Space Administration.—Overall funding for the National Aeronautics and Space Administration is unchanged from the fiscal year 1986 appropriated level of $7,700,000,000. This excludes the effect of the Gramm-Rudman reduction of $322,000,000 and a rescission proposal of $27,000,000 for the advanced communication technology satellite.

Since the President's budget submitted was prepared prior to the *Challenger* accident, it can be expected that significant alterations will be necessary to recover from the budgetary impact of that catastrophic event.

Loss of the *Challenger*, and the indefinite suspension of shuttle launches, has enormous consequences for the Nation's space program. It is imperative that the remaining orbiter fleet be restored to service as expeditiously as possible. It is also clear that a replacement orbiter must be procured and that a supplemental appropriation for this purpose be enacted soon.

The investigation into the *Challenger* accident appears to have already determined that the orbiter itself performed normally and no evidence indicates that the failure was initiated in this crucial component of the space transportation system. Intensive analysis is underway into the impact of the *Challenger* accident on national security, space science, and space development policy. Preliminary indications are that additional expendable launch vehicles will be necessary, along with a replacement orbiter, both of which will take 3 to 5 years to bring online.

The cost of a replacement orbiter is estimated at $2,000,000,000 with approximately an additional $1,000,000,000 needed to replace other equipment lost in the accident and direct programmatic costs. Since the current orbiter production line is scheduled to close early this summer, Congress must authorize a replacement orbiter shortly to limit cost and to assure expeditious delivery.

National Science Foundation.—The President's budget request for the National Science Foundation proposes nearly $1,700,000,000, an increase of $227,000,000 over the post-Gramm-Rudman fiscal year 1986 level. Adjusting for deferrals, the additional resources are devoted almost exclusively to grants for research.

Treasury: Revenue sharing.—This program was assumed to expire at the end of fiscal year 1986; furthermore, the HUD appropriations bill made an 8.3-percent reduction ($380,000,000) from the $4,600,000,000 level—all to be taken from the fourth quarter payment. The President's budget proposes to eliminate this last payment altogether (a $760,000,000 rescission). In addition, the 4.3-percent Gramm-Rudman cut of $180,000,000 which is being taken from the third quarter payment.

Veterans' Administration.—The President's budget contains $363,000,000 in supplemental requests for entitlement programs of the VA. For fiscal year 1987, a net reduction of $228,000,000 is proposed from the adjusted $26,200,000,000 base.

Among the most significant of these reductions are $54,000,000 for medical care and $184,000,000 for major construction of new medical facilities. The Gramm-Rudman Act also raises a potentially significant shortfall in the level of VA home loan guaranty authority. Although no limit is specified in law, the administration is interpreting that legislation to establish a limit of $11,500,000,000 for fiscal year 1986. With declining interest rates and expanded refinancing, in excess of $17,000,000,000 in the current fiscal year may be the demand, thereby significantly curtailing what is widely perceived as an entitlement of military service.

CONGRESSIONAL BUDGET OFFICE BASELINE

The CBO baseline estimate of budget authority and outlays contains a number of assumptions and adjustments in individual accounts which appear unwarranted or questionable. It is impossible at this time to conduct a full analysis of these computer-generated numbers; however, the Committee has identified several specific errors.

The first involves the baseline for the Community Development Block Grant Program in which CBO incorporated the effects of a $500,000,000 deferral proposed by the administration for fiscal year 1986. Another specific issue is raised by the use of what is effectively only a partial year appropriation for the Superfund Program of $900,000,000 in fiscal year 1986. The sum, when annualized, provides a program level of $1,200,000,000 from which future year adjustments should be computed.

CREDIT ACTIVITIES

As noted earlier in this analysis, the Committee is aware of very substantial problems in the computation of Federal credit activities—especially in the three large loan guarantee programs of HUD and VA. These programs total about $145,000,000,000 in housing mortgage credit and are vital to economic growth and recovery. As housing continues to lead this recovery, substantial increases in the limitations for these programs will be necessary.

INTERIOR AND RELATED AGENCIES

CBO BASELINE

The CBO outlay estimates for this subcommittee have consistently been significantly above actual spending levels. If CBO is not going to revise the outlay rate for various programs under the jurisdiction of this subcommittee, the subcommittee requests that an additional $600,000,000 in outlay authority be provided to compensate for erroneous estimates. As an example, the CBO estimate for prior year outlays, dated January 28, 1986, shows outlays of $3,904,591,000. The CBO estimate dated February 14, 1986, estimates prior year outlays at $3,397,119,000. We have asked CBO to explain this discrepancy.

With respect to the fiscal year 1987 baseline estimates provided by CBO, the following should be noted:

Budget authority baseline estimates for the Bureau of Indian Affairs, operation of Indian programs (community and regional development) are $110,000,000 below the fiscal year 1986 postsequester level.

Budget authority baseline estimates for the Bureau of Indian Affairs, operation of Indian programs (conservation and land management) are $46,000,000 below the fiscal year 1986 postsequester level.

Fiscal year 1986 outlay estimates for construction and improvement at the National Zoological Park are 100 percent higher than estimated by the Smithsonian Institution. Therefore, additional outlay ceilings should be allowed in fiscal year 1987 for prior year outlays.

A number of other adjustments have been proposed, as explained in the attachment. Especially significant is the need to adjust the baseline for prior year outlays to reflect the impact of the fiscal year 1986 rescission and deferral proposals which will shift outlays from fiscal year 1986 into fiscal year 1987.

FISCAL YEAR 1987 BUDGET ESTIMATES

The fiscal year 1987 estimates for the Department of the Interior bureaus under the jurisdiction of this subcommittee are 21.7 percent below the fiscal year 1985 level. Reductions of this magnitude seriously hamper the ability of the Department to effectively manage the public lands and resources and meet the Federal obligation to Indian tribes throughout the Nation, and are unlikely to be adopted by the Congress.

For the 19 related agencies under the jurisdiction of this subcommittee, the fiscal year 1987 budget estimates are 30.8 percent below the fiscal year 1986 enacted level, adjusted for a program supplemental in the Forest Service. The budget again proposes termination of community health representatives, urban health programs, and construction funding in the Indian Health Service and termination of the Institute of Museum Services. Congress has not agreed to these reductions during consideration of identical requests over the past 5 years. If the requests are again denied, an additional $100,000,000 will be required.

It is questionable that the Congress will approve the proposed rescission of $62,900,000 in the Indian Health Service budget. The delays encountered while the funds are frozen will increase prior year outlays in fiscal year 1987, as substantially all of the funds proposed for rescission are available for more than 1 fiscal year.

The Department of Energy is slated for a reduction of 65 percent. Congress is not likely to go along with the strategic petroleum reserve construction deferral, thus an additional $100,000,000 in budget authority and $60,000,000 in budget outlays will be required. An additional $250,000,000 will also be required if Congress rejects Judge Flannery's decision in the *Exxon* case relating to the distribution of $2,100,000,000 in oil overcharge funds.

Even though there is no requirement to fill the strategic petroleum reserve, the financial situation in Mexico could worsen and require the purchase of oil. Should that occur, an additional $560,000,000 may be required in budget authority and outlays in oil fill.

Furthermore, the large amount of energy funds which are currently subject to deferral will have a substantial impact on prior year outlays in fiscal year 1987.

Land and Water Conservation Fund acquisition projects in the amount of $92,000,000 are proposed for rescission. Congress is likely to agree to a very small portion of these rescission proposals. As a result of the rescission proposals, however, the rest of 1986 obligations and outlays will be far below normal and an increase of $50,000,000 in outlays will be required in 1987.

The 1987 budget anticipated user and entrance fees for the National Park Service and the Forest Service is an amount of $100,000,000. Congress has not agreed to this proposal in prior years and the administration has not even submitted the necessary legislation in earlier years. Unless this legislative proposal is enacted, Congress will likely maintain current appropriated funding levels, requiring an additional $100,000,000.

The administration has also proposed to deduct the cost of processing permanent indefinite payments prior to distribution of the receipts. Congress has rejected this proposal in prior years. If legislation is not approved this year, an additional $50,000,000 above the budget estimates will be required for mineral leasing payments and $220,000,000 will be required for National Forest System payments.

The subcommittee estimates that requirements for fiscal year 1987 will fall between $8,000,000,000 and $8,421,000,000 in budget authority and between $9,000,000,000 and $9,413,000,000 in outlays. A detailed analysis of the subcommittee's recommendations follows.

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

Function: Energy
Subfunction: Energy supply
Appropriation accounts: Fossil energy research and development; naval petroleum and oil shale reserves

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	-$6,857,004,000	$398,938,000
Outlays prior	406,304,000	425,715,000
Outlays total	506,066,000	570,217,000

Recommended increases

Naval petroleum reserves: Outlay estimates for NPR are low. It is likely that an additional $50,000,000 to $60,000,000 will be required.

Fossil: Baseline estimates for fossil energy research and development are $20,000,000 too low in budget authority and $12 million too low in outlays.

Recommendation for fiscal year 1987

Budget authority	$419,938,000
Outlays prior	425,715,000
Outlays total	642,217,000

Function: Energy
Subfunction: Energy conservation
Appropriation account: Energy conservation

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$427,512,000	$407,667,000
Outlays prior	397,819,000	372,244,000
Outlays total	481,612,000	452,147,000

Recommended decrease

Conservation: Decreases of another $20,000,000 should be possible if Exxon overcharge funds are used to supplant State and local programs.

Recommendation for fiscal year 1987

Budget authority	$387,667,000
Outlays prior	372,244,000
Outlays total	452,147,000

Function: Energy
Subfunction: Emergency energy preparedness
Appropriation accounts: Strategic petroleum reserve; emergency preparedness; SPR petroleum account

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$113,283,000	$5,783,000
Outlays prior	492,750,000	479,935,000
Outlays total	540,363,000	484,561,000

Recommended increases

SPR construction: It is unlikely that Congress will go along with the proposed indefinite moratorium on SPR construction. This will require an additional $100,000,000 in budget authority and $60,000,000 in outlays.

The outlay estimates for prior years appear to be approximately $75,000,000 too low.

Recommendation for fiscal year 1987

Budget authority	$105,783,000
Outlays prior	584,935,000
Outlays total	619,561,000

Function: Energy
Subfunction: Energy information, policy, and regulation
Appropriation accounts: Energy Information Administration; economic regulation

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$81,147,000	$83,776,000
Outlays prior	28,084,000	23,284,000
Outlays total	86,139,000	83,266,000

Recommendation for fiscal year 1987

Budget authority	$83,776,000
Outlays prior	23,284,000
Outlays total	83,266,000

Function: Natural resources and environment
Subfunction: Conservation and land management
Appropriation accounts: Operation of Indian programs (natural resources and trust responsibilities; BIA fire supplemental; Forest Service construction; forest research; State and private forestry; National Forest System; Forest Service fire supplemental; range betterment fund; acquisition of lands (special acts); acquisition of lands to complete exchanges; Forest Service—miscellaneous trust funds; management of lands and resources; Bureau of Labor Management fire supplemental; construction and access; Oregon and California grant lands; working capital fund; land acquisition; service charges, deposits, and forfeitures; range improvements; miscellaneous trust funds; regulation and technology; abandoned mine reclamation fund; minerals and royalty management

	Fiscal year 1986	Fiscal year 1987
Baseline		
Budget authority	$2,583,016,000	$2,638,802,000
Outlays prior	672,871,000	632,712,000
Outlays total	2,662,193,000	2,661,029,000

Recommended decrease

Office of Surface Mining: −$10,000,000 from State Reclamation Program grants under the abandoned mine reclamation fund. There are substantial unexpended balances in this account.

Recommended increases

+$46,000,000 for the operation of Indian programs. The baseline is $46,000,000 below the fiscal year 1986 postsequester level.

Forest Service, State and private forestry: Outlays from prior years appear to be understated by $10,000,000. In addition, outlays from prior years for the "National Forest System" account appear to be understated by over $10,000,000.

Recommendation for fiscal year 1987

Budget authority	$2,694,802,000
Outlays prior	652,712,000
Outlays total	2,718,029,000

Function: Natural resources and environment
Subfunction: Recreational resources
Appropriation accounts: Forest Service land acquisition; urban park and recreation fund; operation of the National Park System; National Park System road construction; John F. Kennedy Center for the Performing Arts; National Park System construction; national recreation and preservation; visitor facilities fund; National Park System land acquisition; planning, development, and operation of recreational facilities; historic preservation fund; Illinois & Michigan Canal Commission; Jefferson National Expansion Commission; resource management; Fish and Wildlife Service construction; Fish and Wildlife Service land acquisition; "Migratory bird conservation" account; Advisory Council on Historic Preservation

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$1,225,447,000	$1,254,528,000
Outlays prior	505,980,000	471,705,000
Outlays total	1,341,991,000	1,324,346,000

Recommendation for fiscal year 1987

Budget authority	$1,254,528,000
Outlays prior	471,705,000
Outlays total	1,324,346,000

Function: Natural resources and environment
Subfunction: Other natural resources
Appropriation accounts: Office of the Secretary; construction management; Office of the Inspector General; Office of the Secretary—special foreign currency; Office of the Solicitor; Geological Survey; Bureau of Mines

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$616,415,000	$631,345,000
Outlays prior	70,024,000	93,245,000
Outlays total	613,063,000	649,381,000

Recommended increase

Bureau of Mines: +$5,000,000 will be required to prevent reductions in force and to meet congressional initiatives.

Recommendation for fiscal year 1987

Budget authority	$636,345,000
Outlays prior	93,245,000
Outlays total	652,381,000

Function: Transportation
Subfunction: Ground transportation
Appropriation account: National Park Service construction (trust fund)

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	0	0
Outlays prior	$12,772,000	$13,356,000
Outlays total	14,523,000	15,179,000

Recommendation for fiscal year 1987

Budget authority	0
Outlays prior	$13,356,000
Outlays total	15,179,000

Function: Community and regional development
Subfunction: Community development
Appropriation accounts: Pennsylvania Avenue Development Corporation; National Capital Planning Commission; Commission of Fine Arts

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$8,250,000	$9,019,000
Outlays prior	9,296,000	10,335,000
Outlays total	14,886,000	16,414,000

Recommended increases

An additional $50,000 is required for the Commission on Fine Arts to meet one-time publication costs.

An additional $200,000 is required for staff costs and computer requirements for the Pennsylvania Avenue Development Corporation.

Recommendation for fiscal year 1987

Budget authority	$9,269,000
Outlays prior	10,335,000
Outlays total	16,664,000

Function: Community and regional development
Subfunction: Area and regional development
Appropriation accounts: Operation of Indian programs (except education, natural resources, and trust responsibilities); Bureau of Indian Affairs construction; Bureau of Indian Affairs road construction; Bureau of Indian Affairs revolving fund for loans; Indian loan guaranty and insurance fund; miscellaneous trust funds

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$594,517,000	$615,624,000
Outlays prior	194,768,000	172,810,000
Outlays total	620,181,000	613,701,000

Recommended increases

+$130,000,000 for the Bureau of Indian Affairs, operation of Indian programs. The baseline for budget authority is $110,000,000 below the fiscal year 1986 postsequestration level.

+$20,000,000 in the estimate for prior year outlays for Bureau of Indian Affairs construction.

Recommendation for fiscal year 1987

Budget authority	$745,264,000
Outlays prior	192,810,000
Outlays total	750,13,000

Function: Education, training, employment, and social services
Subfunction: Elementary, secondary, and vocational education
Appropriation accounts: Operation of Indian programs (education only); Department of Education, Office of Indian Education

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$321,486,000	$339,938,000
Outlays prior	91,552,000	83,862,000
Outlays total	329,318,000	335,460,000

Recommended increase

+$15,000,000—the fiscal year 1987 budget request for these activities totals $356,742,000, an increase of $21,282,000 above the baseline. The baseline level for the Office of Indian Education is sufficient, the total increase should be for programs operated by the Bureau of Indian Affairs.

Recommendation for fiscal year 1987

Budget authority	$350,460,000
Outlays prior	83,862,000
Outlays total	345,460,000

Function: Education, training, employment, and social services
Subfunction: Research and general education aids
Appropriation accounts: Smithsonian Institution, salaries and expenses; Smithsonian Institution—special foreign currency; Smithsonian Institution—zoo construction; Smithsonian Institution—SI—restoration and renovation; Smithsonian Institution—construction; National Gallery of Art, salaries and expenses; National Gallery of Art, restoration and renovation; Woodrow Wilson International Center for Scholars, salaries and expenses; Woodrow Wilson International Center for Scholars—payment to the endowment challenge fund; Woodrow Wilson International Center for Scholars—endowment challenge fund; National Endowment for the Arts; arts and artifacts indemnity fund; National Endowment for the Humanities; Institute of Museum Services

	Fiscal year 1986	Fiscal year 1987
Baseline		
Budget authority	$544,781,000	$560,806,000
Outlays prior	267,588,000	237,173,000
Outlays total	586,389,000	569,062,000

Recommended decreases

−$2,514,000 for the special foreign currency fund. There is no request for this activity in fiscal year 1987.

−$500,000 for construction at the National Zoological Park.

−$800,000 for the National Gallery of Art, repairs and restoration of buildings.

−$296,000 for the arts and artifacts indemnity fund. This fund will need to be replenished as claims are made, but to date, none of these funds has been required.

Recommended increases

+$15,000,000 for salaries and expenses of the Smithsonian Institution. The budget request exceeds the baseline level by $19,000,000.

+$3,000,000 for construction of the Smithsonian Institution. The budget request exceeds the baseline level by this amount.

+$500,000 to continue the Endowment Challenge Program of the Woodrow Wilson International Center for Scholars.

Recommendation for fiscal year 1987

Budget authority	$575,196,000
Outlays prior	237,173,000
Outlays total	580,062,000

Function: Health
Subfunction: Health care services
Appropriation accounts: Indian Health Services; Indian health facilities

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$853,963,000	$881,695,000
Outlays prior	210,778,000	237,991,000
Outlays total	825,321,000	896,793,000

Recommended increase

The prior year outlay estimate for fiscal year 1987 should be increased by $40,000,000 so as to allow for expenditure of funds currently proposed for rescission which are unlikely to be rescinded.

Recommendation for fiscal year 1987

Budget authority	$881,695,000
Outlays prior	277,951,000
Outlays total	936,793,000

Function: General government
Subfunction: Other general government
Appropriation accounts: Administration of the territories; Trust Territory of the Pacific Islands; Compact of Free Association; Compact of Free Association supplemental; payment to the "Alaska Native escrow" account; Navajo and Hopi Indian Relocation Commission; Franklin Delano Roosevelt Memorial Commission; U.S. Holocaust Memorial Council

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$454,786,000	$148,772,000
Outlays prior	36,610,000	33,544,000
Outlays total	427,852,000	157,335,000

Recommended increases

Trust territories: Outlays prior should be increased approximately $10,000,000 for a more accurate portrayal of actual outlays.

+$337,000 for payment to the "Alaska Native escrow" account. The amount sequestered in fiscal year 1986 must be paid in accordance with current law.

Recommendation for fiscal year 1987

Budget authority	$149,109,000
Outlays prior	43,544,000
Outlays total	167,692,000

[1] It will be hard to estimate the spendout rate of the compact. This is the first year of the compact and how the specific countries handle the situation is unclear. It is clear, however, that the spendout rate used in other areas in the territorial account will not apply.

Function: General purpose fiscal assistance
Subfunction: Other general purpose fiscal assistance
Appropriation accounts: Payments in lieu of taxes; national wildlife refuge fund

	Fiscal year 1986	Fiscal year 1987
Baseline:		
Budget authority	$105,252,000	$109,567,000
Outlays prior	3,000	0
Outlays total	105,255,000	109,567,000

Recommendation for fiscal year 1987

Budget authority	$109,567,000
Outlays prior	0
Outlays total	109,567,000

RECAPITULATION

Function	1987 baseline	Recommendation
Energy:		
Budget authority	$696,164,000	$997,164,000
Outlay	1,509,191,000	1,797,191,000
Natural resources and environment:		
Budget authority	4,542,675,000	4,585,675,000
Outlay	4,634,756,000	4,694,756,000
Transportation:		
Budget authority	13,356,000	13,356,000
Outlay	15,179,000	15,179,000
Community and regional development:		
Budget authority	624,623,000	754,533,000
Outlay	630,115,000	766,777,000
Education, training, employment, and social services:		
Budget authority	900,744,000	930,134,000
Outlay	904,522,000	925,522,000
Health:		
Budget authority	881,695,000	881,695,000
Outlay	896,793,000	936,793,000
General government:		
Budget authority	148,772,000	149,109,000
Outlay	157,335,000	167,692,000
General purpose fiscal assistance:		
Budget authority	109,567,000	109,567,000
Outlay	109,567,000	109,567,000
Totals:		
Budget authority	8,086,260,000	8,421,233,000
Outlay	8,938,458,000	9,413,477,000

LABOR-HHS-EDUCATION AND RELATED AGENCIES

For the programs funded under the Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act, the President has requested $93,430,900,000 in new budget authority for fiscal year 1987. Together with advances appropriated in prior years, this brings the total administration budget estimate to $105,104,654,000 for fiscal year 1987—a budget cut of approximately $2,648,821,000 from the $107,753,475,000 enacted into law for fiscal year 1986. It is a $913,087,000 cut from the 1986 post-sequester appropriation of $106,017,741,000.

An examination of the 1987 budget request, however, reveals that an increase in funding for the subcommittee's mandatory programs masks the drastic cuts in the discretionary programs within the subcommittee's jurisdiction. While the administration's overall 1987 budget request is a cut of approximately $2,600,000,000 from the 1986 enacted figure, the discretionary portion of the Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Act is cut $4,400,000,000.

It is also important to note that the administration's budget estimates are, in many cases, artificially low since the fiscal year 1987 budget proposal assumes billions of dollars in savings which are contingent upon the enactment of legislation. The Committee does not assume such legislative savings and believes it is more prudent to project budgetary needs based on the requirements of existing law.

The administration's budget request also assumes the approval of 1986 rescission proposals. The Committee believes the level of funding provided in fiscal year 1986 for all of the programs within the subcommittee's jurisdiction was both necessary and appropriate. The Committee believes it is premature to assume any rescissions and, therefore, does not assume comparable cuts in its 1987 budget estimates.

Similarly, while the Committee recognizes that a 4.3-percent cut in all nonexempted programs in fiscal year 1986 was required by law, the Committee does not assume the same across-the-board cut in its budget estimates for fiscal year 1987. The Committee recognizes the need to reduce the Federal deficit but does not believe fiscal year 1987 budget savings should be achieved through across-the-board or even targeted cuts in mandatory and discretionary programs which are essential to the health and welfare of the American public, and which have already been funded at the lowest level acceptable to the Committee.

In fiscal year 1986, as well as in prior fiscal years, Congress rejected proposals to totally eliminate certain discretionary programs within the subcommittee's jurisdiction and to block grant other programs which have historically been funded as individual line items. The Committee believes such proposals in the administration's 1987 budget estimates should be rejected. The Committee would, therefore, restore funding for any proposed eliminations and project budget estimates based on current law and not any eliminations or new block grant programs proposed by the administration.

Finally, the Committee recognizes the administration's request for supplementals which, if enacted, would increase the fiscal year 1986 base and result in higher fiscal year 1987 outlays. The Committee is deeply concerned about recent estimates of the amount of Pell grant shortfall for fiscal year 1986. This shortfall is significantly greater than the administration had previously projected. Whereas, Congress had anticipated a $70,000,000 shortfall, the shortfall could, in fact, now be as high as $370,000,000 due to a combination of sequestration and a higher-than-anticipated number of eligible participants in the program. To prevent such a drastic reduction in Pell grant assistance, which CBO estimates would result in a loss of aid to approximately 1 million students, a 1986 supplemental would be necessary.

Attached is a chart which projects a low and high subcommittee budget estimate for fiscal year 1987. In some cases, CBO current services are lower than the 1986 enacted appropriation and would not sustain fiscal year 1986 program activity. Therefore, the subcommittee budget estimates reflect a combination of 1986 enacted appropriations and CBO current services to achieve a fiscal year 1987 budget estimate which is consistent with the priorities of the Committee.

LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES - FISCAL YEAR 1987

[In billions of dollars]

	CBO baseline		President's estimate		Low		High	
	BA	O	BA	O	BA	O	BA	O
Mandatory			76.0	95.6				
Discretionary			29.1	18.1				
Total	112.7	118.6	105.1	114.0	113.7		115.4	

LEGISLATIVE BRANCH

In accordance with law, the budget presentations of the agencies funded by the Legislative Branch Appropriations Act are not subject to review or change by the Office of Management and Budget, and are included in the President's request as submitted by the agencies. As such, the President's budget request does not evidence the dramatic programmatic and policy changes recommended in other nondefense areas of the budget, and the Committee believes the amounts requested by the President to be the appropriate level for the activities of the legislative branch. The Committee is very concerned, however, that the preliminary baseline prepared by the Congressional Budget Office woefully understates the funding requirements of the Congress and its support agencies.

The President's fiscal year 1987 budget request for activities funded in the Legislative Branch Appropriations Act totals $1,849,669,800 in budget authority, including $46,609,000 for compensation of Members

of Congress funded by a permanent, indefinite appropriation. The CBO preliminary baseline for fiscal year 1987 budget authority is $1,606,967,000, a difference of $242,702,800. This difference is primarily attributable to the following accounts: Salaries and expenses for the General Accounting Office, for which the request exceeds the baseline level by $57,398,000; official mail costs, for which the request exceeds the baseline level by $39,818,000; the Architect of the Capitol, +$18,640,000; furniture and furnishing for the Library of Congress, +$15,095,000; salaries and expenses for the Library of Congress, +$13,161,000; and salaries and expenses for the Congressional Research Service, +$6,339,000.

For Senate items only, excluding compensation of Senators, the President's request is $301,666,800 and the CBO preliminary baseline is $282,160,000, a difference of $19,506,800. This difference is primarily attributable to the following accounts: Salaries, officers and employees, for which the request exceeds the baseline level by $11,875,000; expenses of the Sergeant at Arms and Doorkeeper of the Senate, for which the request exceeds the baseline level by $4,047,000; and inquiries and investigations, for which the request exceeds the baseline level by $2,705,000.

These significant disparities result from the construction of the fiscal year 1987 baseline from an exceptionally low base. The fiscal year 1986 Legislative Branch Appropriations Act was held to slightly below fiscal year 1985 amounts, and then reduced further by a sequestration of $68,757,000, for a total fiscal year 1986 level of $1,576,965,800 ($67,789,338 below amounts enacted for fiscal year 1985). From that base, the CBO baseline adds inflation for most accounts, with the exception of certain salaries and expenses accounts treated in function 920, to arrive at its total baseline amount of $1,606,967,000. Even that figure is $37,788,138 below amounts enacted for fiscal year 1985.

Nor does the CBO baseline fully account for several fiscal year 1986 supplementals. The baseline estimates an fiscal year 1986 supplemental for official mail costs of $44,000,000, the same as the President's request, but more recent information indicates a requirement for a $65,000,000 supplemental. Furthermore, the baseline makes no allowance for $9,830,000 in supplementals requested for the Senate, including $9,100,000 to enable the Sergeant at Arms to purchase new telecommunications switching equipment, and $650,000 for the Geneva observer group.

In summary, the Committee believes that the amount of the President's request is the appropriate level of funding for activities funded by the Legislative Branch Appropriations Act in fiscal year 1987. While the Committee expects to be able to make some reductions from that request, a level of funding approaching that estimated in the CBO baseline would do irreparable harm to the operations of the Congress and its support agencies.

MILITARY CONSTRUCTION

The military construction appropriations bill provides funding for worldwide military construction as well as construction and operation and maintenance of military family housing. The military construction appropriations bill represents approximately 3 percent of the national defense budget function (050).

In terms of new budget authority, the fiscal year 1987 President's budget requests $10,137,200,000 for facilities requirements. These requirements continue the effort of the Defense Deprtment to modernize the capital investment in our military installations worldwide and to establish new installations to meet the demands of new missions.

The CBO baseline which reflects no real growth for fiscal year 1987 in the national defense functions is not realistic in terms of the military construction requirements necessary to meet the demand on our already overtaxed facilities; in addition, the CBO baseline does not reflect the assumptions of the so-called 0–3–3 real growth agreements of the fiscal year 1986 budget resolution.

With regard to outlays, the OMB estimate for prior-year outlays is over $1,000,000,000 less than the CBO estimate. The OMB estimate does not appear to be reflective of the reality of the levels of construction historically completed during any given fiscal year.

It is too early to determine the budgetary impact that may be placed on the military construction accounts. Therefore, the estimate should provide the President's level, as requested, in new budget authority and the CBO estimate of $8,248,667,000 for outlays.

TRANSPORTATION

CBO BASELINE

Technical.—The baseline incorporates transfers used in fiscal year 1986 to increase budgetary resources available to an account (agency) when new budget authority would have been additive and thus increases the subcommittee's budget authority level. By including these transfers in the outyears (fiscal year 1987 and out), the overall budget authority is increased by approximately $100,000,000. It is unclear to the CBO analyst whether the Senate Budget Committee will agree with this treatment. We believe that these transfers should be included in the outyears because it is a more accurate reflection of program levels.

The CBO baseline has been adjusted to incorporate the effects of deferrals on the fiscal year 1987 budget authority level. This treatment does not affect transportation because an exception is made for the one transportation deferral—Federal Aviation Administration's [FAA] facilities and equipment [F&E]. An exception is made for F&E because this account is subject to deferrals every year due to the multiyear nature of the account that fully funds large capital projects.

The baseline does not include Coast Guard operating expenses funded by transfer from Department of Defense [DOD], pursuant to the authorization and appropriations acts, 1986.

Credit budget.—Surface transportation components appear accurate in credit baseline. However, the baseline excludes aircraft loan guarantees for no apparent reason.

FISCAL YEAR 1987 SPENDING ESTIMATES

Amtrak.—The President's request proposes elimination of and thus does not include funding for Amtrak. Since this account was subject to four separate Senate votes last session and was reauthorized by the Senate Commerce Committee as part of the reconciliation bill, this activity will likely receive funding in fiscal year 1987. This increases budget authority over the President's request by approximately $615,000,000.

Highway and transit.—The President's request does not include funding for Washington Metro Area Transit [WMATA]. There still remains $740,000,000 to be appropriated under the Stark-Harris authorization for this project. Fiscal year 1987 request from WMATA is for $225,000,000.

There is major legislation proposed in the highway and mass transit areas. These programs need to be reauthorized as fiscal year 1986 is the last year of the Surface Transportation Assistance Act of 1982 [STAA].

The President's budget assumes enactment of its proposed legislation thereby reducing mass transit budgetary resources by 70 percent. It is likely that the existing transit program will be extended for another year without resolution of the administration's proposed changes. If continued at existing rates, budget authority of approximately $2,600,000,000 above the President's request is necessary, and approximately $2,400,000,000 in outlays.

In addition, the President proposes rescinding over $500,000,000 of budget authority in fiscal year 1986 nearly one-half of which was the subject of a deferral request overturned in the fiscal year 1986 continuing resolution. Inaction on the proposed rescission requires additional outlays in fiscal year 1987 of approximately $110,000,000.

If the administration's highway legislation is not enacted and the current program remains intact, an additional $50,000,000 in budget authority is necessary to cover programs not funded by the administration, and an additional $200,000,000 in outlays would be necessary in fiscal year 1987 to cover programs capped by the administration's proposal. Budget authority for this activity, Federal-aid highways, is from the trust fund and under the jurisdiction of the Senate Committee on Environment and Public Works.

Other surface.—In addition to the above concerns in the highway and transit area, the President's budget does not contain sufficient budget authority and outlays for a number of smaller rail and highway programs (for example, rail service assistance Northeast corridor improvement, waste isolation project roads, access highways to lakes). This is due to a combination of requesting rescissions in fiscal year 1986 and not continuing the programs in fiscal year 1987. The total amount of budget authority in fiscal year 1987 to cover these programs is

approximately $50,000,000, additional outlays necessary in fiscal year 1987 (assuming not enacting the 1986 rescission) are approximately $40,000,000.

In addition, if major deregulation legislation is not enacted reducing the role of the Interstate Commerce Commission [ICC], $50,000,000 in budget authority and outlays would be necessary to continue the Commission.

Federal Aviation Administration [FAA].—The baseline does not include the effect of a fiscal year 1986 supplemental for operations, estimated at $100,000,000. Furthermore, this would not be a one-time supplemental because it would ostensibly fund ongoing operating expenses associated with air traffic controllers.

The budget proposal to eliminate the essential Air Service Subsidy Program, an entitlement within the jurisdiction of the Commerce Committee, was not approved by Congress last session. Given the declining size ($27,000,000) of the appropriation and large number of communities affected (150 nationwide), it is likely to be funded in fiscal year 1987.

Coast Guard.—Fiscal year 1987 Coast Guard operating expenses are included in the baseline at $1,600,000,000, over $200,000,000 less than the President's fiscal year 1987 request. No allowance is provided for the $115,000,000 made available in the fiscal year 1986 DOD authorization and appropriation bills. Also, CBO treats the $15,000,000 "Boating safety" account as contract authority, in the jurisdiction of the Commerce Committee. Furthermore, fiscal year 1987 outlays will be as much as $50,000,000 higher because of an as-yet untransmitted fiscal year 1986 supplemetnal request.

The Coast Guard capital account, "Acquisition, construction, and improvements," builds from a fiscal year 1986 level reduced $50,000,000 in the continuing resolution negotiations. In addition, the President's request of $77,000,000 for fiscal year 1987 assumes an as-yet untransmitted Navy deferral of coastal defense augmentation funds. In either case, it appears likely at this time that the historical capital level of around $300,000,000 will be supported in Congress for Coast Guard materiel.

Conclusion—Perhaps more important than the individual programmatic assumptions discussed above is budget resolution assumptions for large unspecified savings. The Committee feels strongly that Members were insufficiently informed about the fiscal year 1986 budget resolution conference impact on transportation programs. The allocation to the Appropriations Committee of $800,000,000 unspecified savings necessitated drastic reductions in the Federal Aviation Administration and Coast Guard accounts. The Budget Committee must spell out major programmatic assumptions when it presents the resolution to Congress. Budget totals in the resolution should reflect the reality of hard choices, not legerdemain.

[In millions]

	Budget authority	Outlays
Fiscal year 1986 baseline, postsequester	$10,017	$26,325
Fiscal year 1987 Transportation Subcommittee baseline	10,476	26,343
Supplementals:		
FAA operations		100
Coast Guard operating expenses		50
Panama Canal, accident claims		20
Fiscal year 1987:		
Reflect President's requested Coast Guard operating expenses	200	180
Reflect additional $100,000,000 Coast Guard acquisition, construction, and improvements	100	50
Fiscal year 1987 preliminary estimate, low	10,776	26,743

Treasury, Postal Service, and General Government

CBO BASELINE

The administration has requested a supplemental appropriation totaling $340,000,000 for fiscal year 1986 for the Internal Revenue Service. This supplemental request is not reflected in the CBO baseline. The Committee has included this in the total of the estimates.

FISCAL YEAR 1987 SPENDING ESTIMATES

The total of the President's budget assigned to the Treasury Subcommittee totals $12,900,000,000 for fiscal year 1987. A preliminary review of that budget request follows. This review was conducted without the benefit of hearings, and, therefore, without indepth analysis of the needs of each agency. General estimates are provided.

It should be noted that the President's budget proposes many legislative changes which, if enacted, will have an impact (as compared with CBO baseline levels) on the final subcommittee deliberations. Those proposals follow:

The President proposes to reduce the U.S. Customs Service by approximately 800 positions in addition to the 700 positions which will not be filled in 1986. The Customs Air Interdiction Program is also slated for reductions. If the Committee was to provide funds to keep Customs at the 1986 congressionally approved level, an additional $110,000,000 would be necessary.

The budget also proposes to terminate the revenue forgone postal subsidy for all recipients of preferred mail rates except the blind. Legislation is to be submitted to address this issue. If legislation is not passed and the subsidy was eliminated, rates for nonprofit mailers would double. In order to maintain current rates, a total of $833,000,000 would be necessary.

The budget also proposes a 3-percent pay increase for Federal civilian employees to be effective on January 1, 1987. No budget request is included, however. Should this pay increase be effectuated, approximately $300,000,000 would be necessary to cover the increased

Government contribution to the civil service retirement and disability fund. This increase would also increase total outlays by the agencies funded in this bill by $100,000,000.

The President's budget proposes to sell materials held in the national defense stockpile transaction fund. Although the account is included in this subcommittee's bill, all policy decisions are made by the Armed Services Committee.

The budget proposes that the General Services Administration dispose of excess Federal real property. This disposal of excess property is estimated to provide $600,000,000 in receipts in fiscal year 1987. It should be noted that annual disposal of surplus property since 1981 has averaged approximately $125,000,000 per year.

With this commentary as a base, the subcommittee makes the following assumptions:

	Budget authority	Outlays
Congressional Budget Office baseline	$13,000,000	$13,100,000
President's budget	12,900,000	(1)
Low appropriation estimate	14,300,000	(1)
High appropriation estimate	14,600,000	(1)

[1] CBO outlay estimates unavailable.